

Secret



Weekly Summary Special Report

Communist Aid to the Third World

MORI/CDF Pages 1-10

Secret

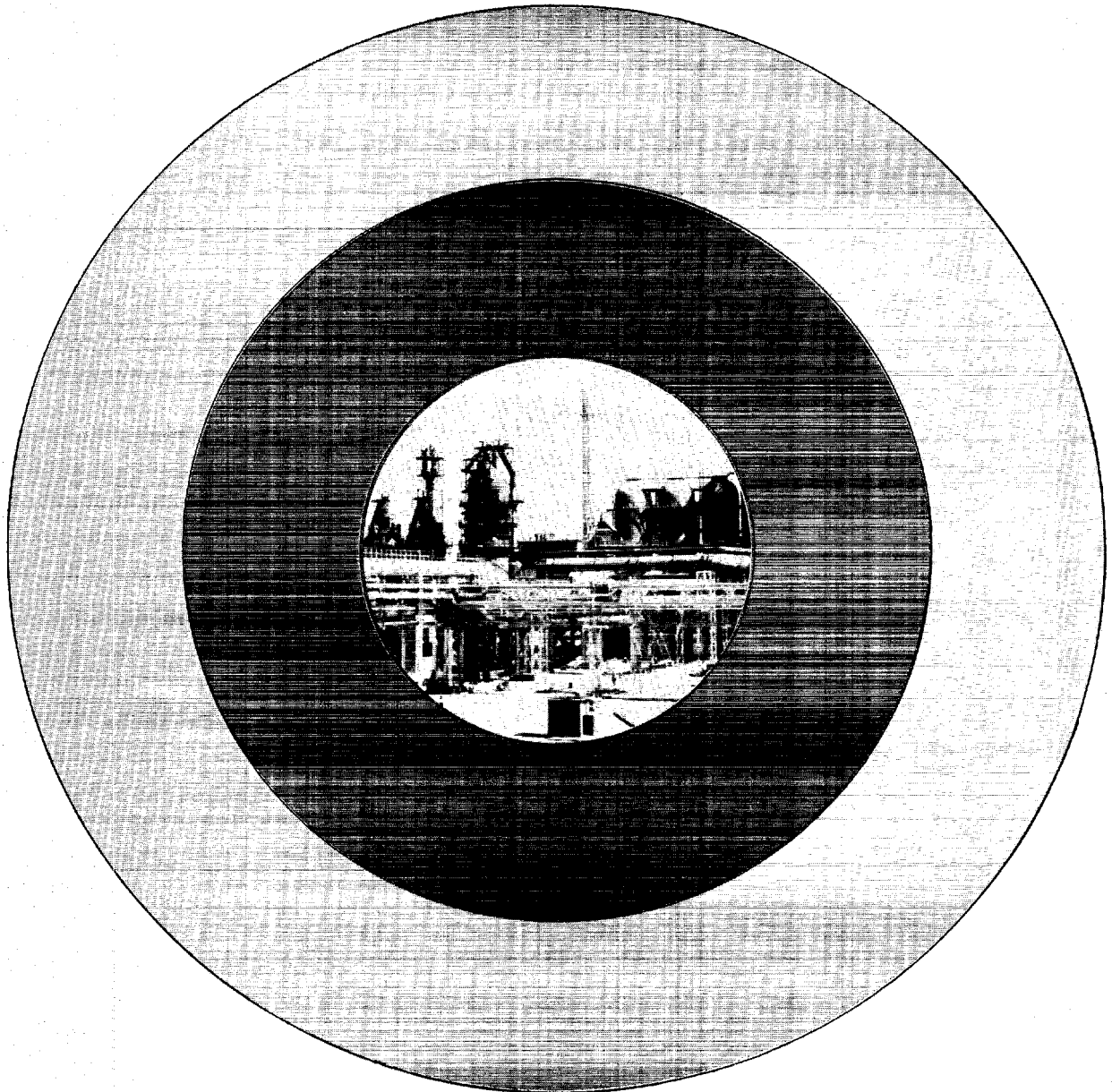
ARCHIVAL RECORD
PLEASE RETURN TO
AGENCY ARCHIVES, BLDG. A-18

No 57
APRIL 5
~~March 15~~, 1974
No. 0014/74A

Page Denied

SECRET

25X1



COMMUNIST AID to the THIRD WORLD

Special Report

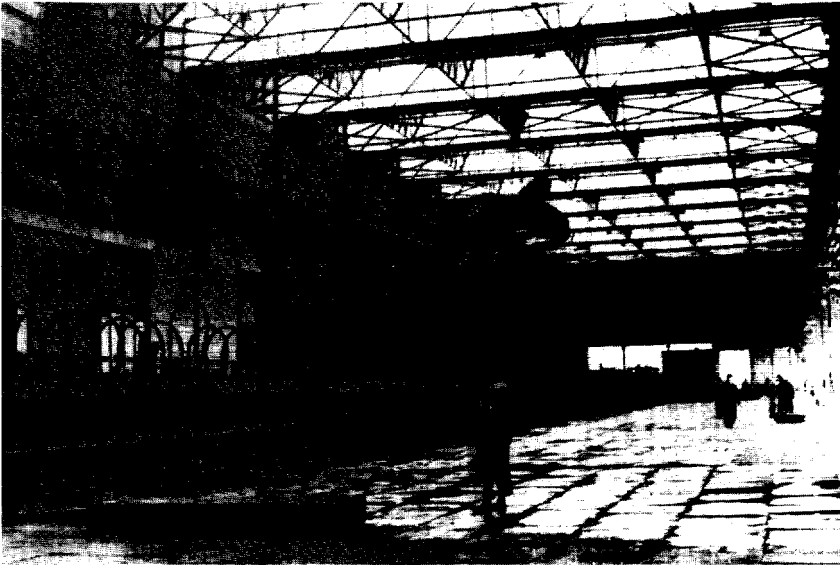
- 1 -

April 5, 1974

SECRET

SECRET

25x1



**Soviet-constructed steel mill
at Hulwan, Egypt**

Soviet military resupply of Arab countries in 1973 highlighted an otherwise quiet year in Communist military and economic aid programs for developing countries. Communist military aid deliveries, mostly from the USSR, totaled \$1.9 billion, about three fourths of which went to the Arab belligerents. At the same time, deliveries and new commitments of economic assistance slowed compared with the past several years.

More than half of the total Communist aid was in the form of economic assistance. Moscow was the principal source of new aid committed in 1973. Eastern Europe and China extended only token amounts of military aid and less new economic assistance than in 1972.

Despite the drop, the Communist countries clearly intend to continue active aid programs. Both the USSR and Eastern Europe have tried to stress the type of economic aid from which they derive positive economic benefits at a time when military aid is more strongly motivated by hopes of political gain.

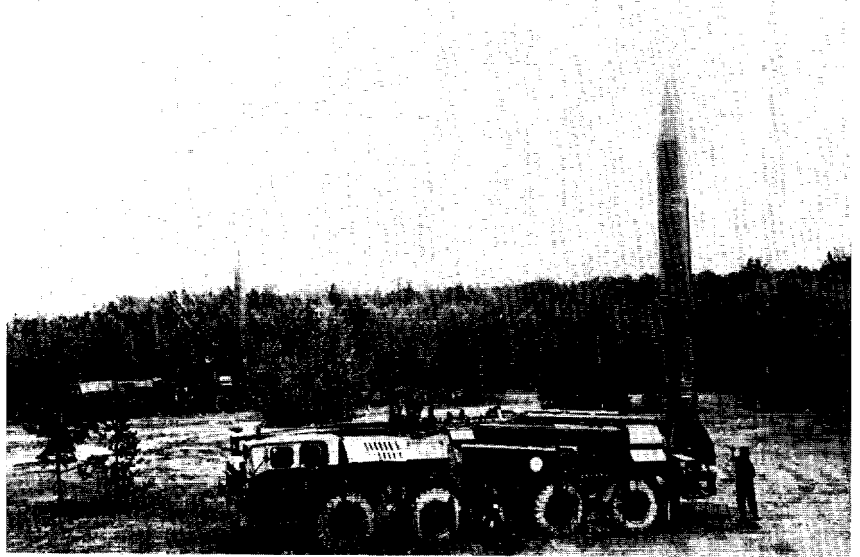
The USSR and East Europe are now financing an economic aid program that involves annual exports of \$400-500 million worth of machinery and equipment. Repayments by the developing countries in important commodities, including raw materials, fuels, and consumer goods, reached about \$420 million in 1973.

SECRET

SECRET

25X1

**Soviet SCUD
surface-to-surface missile**



Military Aid

Moscow's response to the Arab call for military assistance was a rising flow of arms supplies that began in October. In the last quarter of 1973, such deliveries were 50-percent larger than in the preceding nine months. The Soviet resupply effort utilized the largest combined Soviet sea and air lift ever mounted.

In the period between the expulsion of Soviet military technicians from Egypt in July 1972

and the beginning of the war in October 1973, Syria replaced Egypt as the major recipient of Soviet arms; military assistance to Egypt became mainly an inventory-maintenance operation. After the outbreak of hostilities, however, the resupply of Egypt involved almost as many arms deliveries as were being made to Syria, and included sophisticated weapons. Moscow introduced the SCUD surface-to-surface missile into Egypt. This brought Tel Aviv, for the first time, within range of Arab ground fire.

Elsewhere in the Arab world, delivery of TU-22 medium jet bombers to Iraq represented the first export of this aircraft by the USSR. India and Iran, meanwhile, received about two thirds of the Soviet arms delivered to other developing countries. Poland supplied most of the small East European arms deliveries, primarily to Egypt, Syria, and India. Chinese deliveries were made mostly to Pakistan and Tanzania.

Economic Aid

The USSR was the largest donor of new economic aid, more than 85 percent of which went to India and Iran. East European aid was concentrated on Algeria, Egypt, India, and Iran, each of which received approximately \$100

Communist Military Deliveries 1973 (Million Current US \$)				
	<u>Total</u>	<u>USSR</u>	<u>Eastern Europe</u>	<u>China</u>
Middle East Belligerents	1,482	1,446	36	--
Egypt	463	450	13	--
Iraq	300	296	4	--
Syria	719	700	19	--
Others	445	367	9	69
Total Deliveries	1,927	1,813	45	69

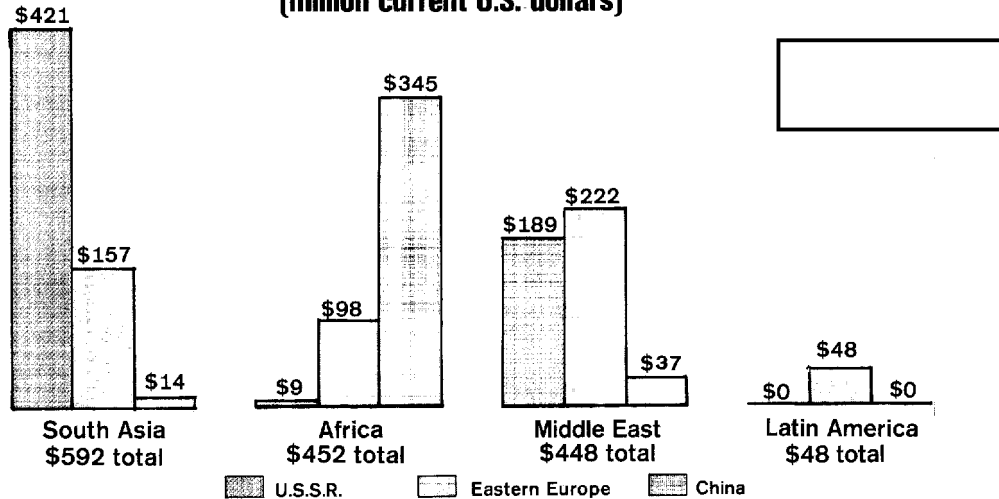
SECRET

SECRET

25X1

Geographic Distribution of Communist Economic Aid Extended in 1973

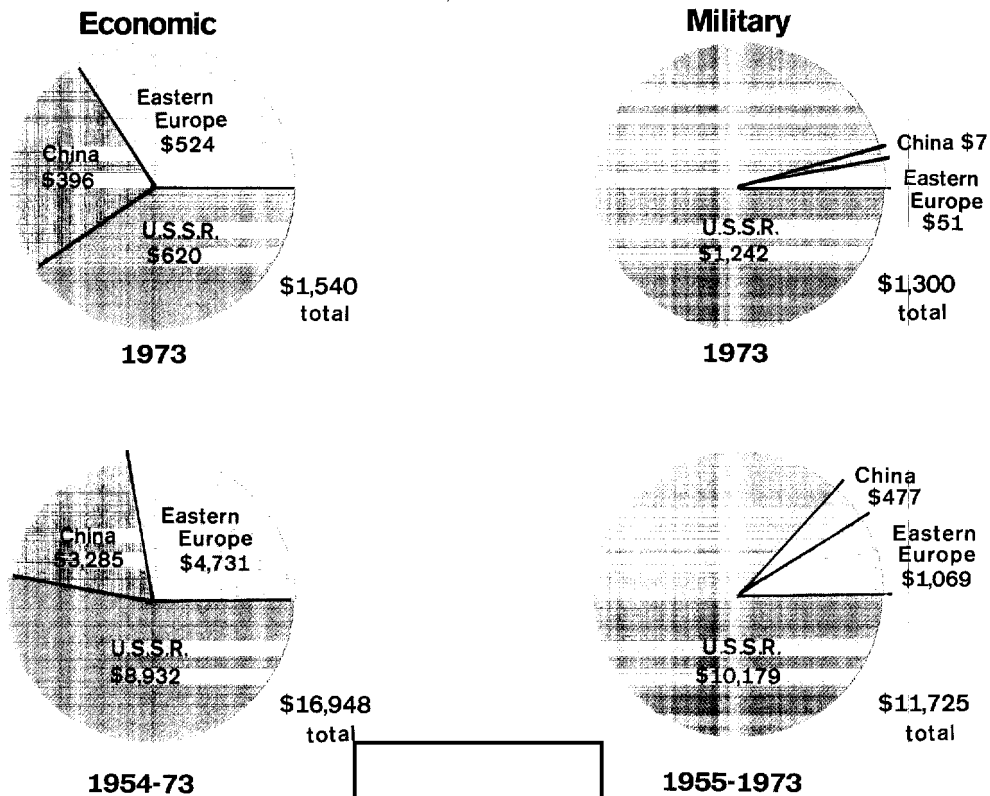
(million current U.S. dollars)



25X1

Communist Economic and Military Aid Extended to Less Developed Countries

(million current U.S. dollars)



25X1

SECRET

SECRET

25X1



Soviet FROG-7
surface-to-surface rocket

million in credits. The remainder was allocated among eight other less-developed countries. Ninety percent of China's aid was concentrated in Africa, with the largest credits (\$50-100 million) going to Cameroon, Chad, Senegal, Upper Volta, and Zaire. Additional aid went to other African as well as several Middle Eastern and South Asian countries.

Aid deliveries were down somewhat in 1973, reflecting the cyclical character of such deliveries. The rise and fall of shipments, especially from the USSR, depends on scheduled stages of construction of major facilities. East European programs are affected less by annual fluctuations in construction scheduling, since their projects concentrate more heavily on machinery and equipment deliveries. Since the beginning of 1970, drawings on Chinese aid have been heavily influenced by changes in the delivery pattern for the \$400-million Tan-Zam Railway project. These rose markedly in 1971 and 1972 as work accelerated, but declined in 1973 as the Tanzanian portion of the railway was completed in mid-year.

Middle East and South Asia

The Middle East and South Asia were the major beneficiaries of Communist aid in 1973;

nations in these regions received approximately 98 percent of military aid, and more than two thirds of new economic commitments. The Communist response to the emergency economic requirements of the Arab combatants was dwarfed, however, by the overwhelming support from other Arab states. China did provide food and foreign exchange, while East European countries furnished small quantities of clothing and medicines.

25X1

Syria During 1973, Soviet arms deliveries to Syria reached a record \$700 million. Several items

extended in 1973 but, prior to the outbreak of hostilities, the first stage of the Euphrates Dam—constructed with Soviet credits of \$133 million—was completed. A \$15-million credit from Poland

SECRET

SECRET

25X1

25X1

was the only new economic development aid provided Syria during the year.

Egypt In spite of strains in Soviet-Egyptian relations, the USSR responded quickly and generously to meet Cairo's military requirements

\$190 million in credits for the plant. This brought total aid for the project to \$500 million, making Isfahan the largest Communist aid project in the developing world. Soviet arms deliveries of \$100 million to Iran in 1973 were the largest since such deliveries began in 1967. The only new East European economic aid to Iran was a \$103-million credit from Poland which Iran agreed to repay largely in oil.

25X1

Meanwhile, work progressed on several major Soviet economic projects. Completion of the first stage of the expansion of the Hulwan iron and steel complex was an important milestone in Moscow's economic aid program in Egypt. During the year, a Soviet contract for oil exploration in the Western desert reportedly was canceled after 15 years of futile effort and \$70 million of Soviet aid—which Egypt must repay.

Iraq Record Soviet military deliveries of approximately \$300 million were provided under pre-war commitments. These equaled Baghdad's total receipts from the USSR during the previous five years. No new Communist economic credits were provided, but the Czech-built 70,000 barrels-per-day refinery at Basra went into operation.

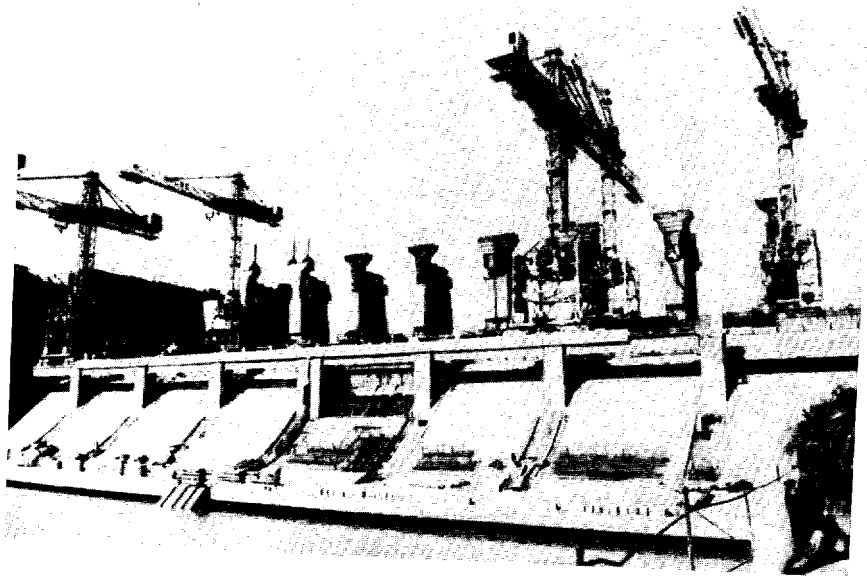
Iran Record Soviet military aid and substantial new economic assistance confirmed Moscow's desire to continue its good relations with Iran. The Soviet-built steel mill at Isfahan was formally inaugurated in March; during the opening ceremonies, Premier Kosygin extended an additional

India The USSR's strained economic relations with India may have been improved somewhat in 1973. Moscow committed itself to provide 2 million tons of grain valued at \$350 million, and followed this up with a visit by party chief Brezhnev in November. Even so, New Delhi was not able to convince the USSR to convert outstanding long-term credits from heavy industrial use to critically needed industrial materials such as fertilizer and newsprint. Moscow did agree, however, to increase its exports of these goods to India, but

SECRET

SECRET

25X1



Soviet-assisted Euphrates Dam in Syria

on a commercial basis. A Czechoslovak credit of \$105 million was the only other new Communist economic aid extended in 1973.

South Asia Communist aid activities in Afghanistan and Pakistan were on a smaller scale. Moscow responded to a July coup in Afghanistan with record military deliveries.

proceeded with existing economic projects. The only new Communist economic aid received by Kabul was small credits from Czechoslovakia and Bulgaria. In Pakistan, the Chinese delivered some \$45 million in arms while the Soviets signed an agreement on the design and location of a 1-million ton steel mill, for which \$200 million of aid was extended in 1971.

Africa

China continued to concentrate its aid activities in Africa, extending over three fourths of total Communist economic aid to that continent in 1973. During the year, the Tanzanian portion of the Tan-Zam Railway was completed, approximately one year ahead of schedule. Peking had expended \$200 million and used the services of as many as 15,000 Chinese technicians and laborers

to finish the Tanzanian segment. Activity on the railroad will now be concentrated in Zambia. Zaire received a \$100-million line of credit from China, which also provided new economic development credits to several West African countries.

The USSR continued to be active in Africa, especially in the development of Guinea's bauxite deposits and related facilities, but otherwise it extended only token aid to a few African countries. Although the USSR did agree to reactivate military aid to Morocco and Uganda, new Communist military aid to Africa in 1973 was insignificant. Poland provided Algeria with a \$98-million economic credit, and Algiers agreed in turn to provide 300,000 tons of crude oil.

Communist countries play a significant role in the training and technical assistance programs vital to Africa's development. More than 30,000 Communist technicians were in Africa during 1973, and African nationals represented 55 percent of the new students from developing countries that attended Communist academic institutions.

Latin America

Communist aid offers to Latin America declined in 1973. The most noteworthy

Special Report

- 7 -

April 5, 1974

SECRET

SECRET

25X1

development was the provision of a \$14-million credit to Peru, Moscow's first military assistance to a Latin American nation other than Cuba. New economic aid was down substantially, while drawings on previous commitments were minimal. There was little change in the trade deficit that the Communist countries have with Latin America. In an effort to alleviate Romania's deficit, President Ceausescu signed economic agreements with five Latin American countries calling for increased Romanian exports.

Outlook

The USSR and Eastern Europe are increasingly interested in the economic returns to

be derived from their assistance programs. While they continue to provide military assistance in hopes of enhancing their political position, they also are seeking to use their economic aid programs as a means of obtaining supplies of raw materials and consumer goods. In an effort to improve their economic relations with the developing countries, Moscow also is increasing the number and responsibilities of inter-governmental commissions, suggesting more joint ownership projects, and moving toward multilateral undertakings in some of its aid projects through the recent creation of a \$1-billion aid fund within the Communist Council for Mutual Economic Assistance.

25X1

♦ ♦ ♦

SECRET

Approved For Release 2006/10/12 : CIA-RDP79-00927A010800020003-0

Page Denied

Approved For Release 2006/10/12 : CIA-RDP79-00927A010800020003-0